



**RASHTRIYA CHEMICALS AND FERTILIZERS LIMITED
PRIYADARSHINI, EASTERN EXPRESS HIGHWAY, SION, MUMBAI 400 022.**

41st Annual General Meeting held on 24th September, 2019
Chairman's Speech

Dear Shareowners,

It gives me a great pleasure to extend a warm and hearty welcome to all of you in the 41st Annual General Meeting of your Company. The Financial Statements along with the Directors' Report have been with you for some time now and, with your permission, I shall take them as read. I would like to briefly touch on the economic environment under which your Company delivered during the year and the challenges faced by the Company and the Industry.

1.0 ECONOMIC SCENARIO

As per Central Statistics Organization (CSO), India's Gross Domestic Product (GDP) growth during the 2018-19 fiscal stood at 6.8 per cent, lower than the previous year's 7.2 per cent.

The interim Union Budget for 2019-20 was announced by Union Minister for Finance, Government of India (GoI), in Parliament on February 01, 2019. It focuses on supporting the needy farmers, economically less privileged, workers in the unorganized sector and salaried employees, while continuing the Government of India's push towards better physical and social infrastructure.

India is expected to be the third largest consumer economy as its consumption may triple to US\$ 4 trillion by 2025, owing to shift in consumer behavior and expenditure pattern, according to a Boston Consulting Group (BCG) report and is estimated to surpass USA to become the second largest economy in terms of purchasing power parity (PPP) by the year 2040, according to a report by PricewaterhouseCoopers.

2.0 INDUSTRY SCENARIO

The fertilizers sales for industry as a whole had witnessed growth by almost 4.19% during the financial year 2018-19. With overall consumption rising, the decline in domestic sales was made up with higher Urea imports which rose to 24.58% in the financial year 2018-19. NPK and DAP sales increased to 5.96% and 5.57% respectively as compared to the previous year. MOP sales has decreased by 7.52 % as compared to the previous year. Imports of Urea, DAP & NPKs increased to 24.58%,



63.98% and 43.80% respectively during the year 2018-19 as compared to the previous year. On the other hand, imports of MOP witnessed sharp decline of 11.10%.

Rabi sowing was down by 1.9% year to year in the current season for financial year 2019 driven by lower sowing in states like Maharashtra, Karnataka, Andhra Pradesh and Gujarat. These states had witnessed deficient rainfall during the Kharif season and low reservoir levels in the Rabi season. The sowing levels for rice witnessed a remarkable uptick towards the end of Rabi season with increased sowing reported from Bihar and West Bengal, while all other major crops witnessed a decline in sowing during the current Rabi season.

3.0 OUTLOOK AND CHALLENGES

Gol approved a Rs.10,000 Crore Special Banking Arrangement for the fertiliser sector for meeting the subsidy requirement for FY 2019. The Gol bore the interest costs up to 7.72% p.a. and 0.48% p.a. borne by the respective fertiliser companies. The Special Banking Arrangement helped in reducing the interest outgo for a short period of time and is paid out by Gol within 60 days of disbursement using the proceeds from the next fiscal's subsidy budget. Thus, it essentially meant as a stop gap arrangement and does not resolve the issue of the subsidy backlog for the industry.

Government of India notified "New Domestic Natural Gas Pricing Guidelines, 2014" on 25th Oct 2014. The domestic gas pricing mechanism is formula based and has been worked out considering the volumes and prices prevailing at major International markets such as Henry Hub (USA), National Balancing Point(UK), Alberta (Canada) and Russia.

The Henry Hub prices are expected to remain soften further in near future. The volatility in International market is expected to impact Gas prices in future.

The R LNG prices have softened to a large extent and are expected to moderate further in the near term with the forecast of a warmer winter in northern hemisphere, falling crude oil prices and high LNG storage level in Japan, China and South Korea.

An analysis of the financial performance of the companies indicates an increase in the operating profit primarily driven by the chemical segment which offset the weak profitability from the fertilizer segment. The fertilizer segment witnessed softening of the profitability owing to rising raw material prices, currency depreciation, implementation of energy norms and low IPP. Chemical segment witnessed tailwinds from currency



depreciation and healthy demand leading to improved contribution from the chemical segment.

Performance of Urea players is expected to remain stable in the upcoming year, with pooled price expected to moderate given the steep fall in the R-LNG prices which should offset the increase in the domestic gas price for H1 FY 2020. The performance of P&K players has been impacted by the rising raw material prices and currency depreciation in FY 2019. However, as the year comes to close, the currency has cooled off to a certain extent while raw material prices have also stabilized.

Now, let me brief you on the performance of your Company for the financial year 2018-19.

4.0 OPERATIONAL PERFORMANCE

Your Company has time and again proved that no challenge is greater than their dedication and commitment which brings the Company to greater heights with every passage of time. Though there were external challenges like adverse agro-climatic conditions, increased input costs, cheap imports etc., the actual sales of our products manufactured at the units have reduced over previous year. Simultaneously, your Company has incessantly continued its efforts in reducing costs by improvising on efficiencies.

The frame of reference in which your Company operates i.e. the state of economy in general and fertilizer industry in particular, during 2018-19, is briefly outlined for better understanding of the performance of your Company.

I am glad to inform you that against all odds, your Company stood up to the challenges and delivered a steady performance.

During the year, your Company achieved Revenue from Operations of Rs.8885.47 Crore as against Rs.7281.96 Crore in previous year (PY). Profit Before Tax (PBT) during the year, stood at Rs.235.25 Crore as against Rs.128.22 Crore mainly on account of Higher sales & margins of Complex Fertilizers, Industrial and traded products. Profit After Tax (PAT) stood at Rs.139.17 Crore as against Rs.78.80 Crore. Net Income of Rs. 23.44 Crore towards value of Development Right Certificates received/ receivable towards surrender of land during current year and downward revaluation of Development Right Certificate received / receivable in previous year, has been reported as exceptional item.



Your Company achieved sales volume of 30.49 lakh MT during 2018-19 as compared to 30.65 lakh MT during the previous year. The total sale of manufactured fertilizers during 2018-19 was 29.15 lakh MT as against 29.82 lakh MT during the previous year. Sales of manufactured fertilizers registered reduction of 2.21 % over previous year owing to lower production of Urea due to planned shutdowns for hooking up various energy saving schemes.

Your Company produced 29.36 lakh MT of fertilizers (23.75 lakh MT of Urea & 5.61 lakh MT of Suphala 15:15:15) during the year as against 29.80 lakh MT of fertilizers (25.02 lakh MT of Urea & 4.78 lakh MT of Suphala 15:15:15) produced during the previous year.

5.0 AWARDS

I am also happy to share with you the several recognitions and awards received by the company under various categories from Central as well as State Government and Institutes of repute for Conservation of Energy, Excellence in Environment Management, Fair Business Practices in the category of Manufacturing Enterprises-Large, WIPS under Miniratna Category, Excellence in safety Health and Environment, Excellence in Energy Conservation & Management and so on. Details of the same can be seen in the annual report already available with you.

6.0 DIVIDEND

Although your Company has lined up a number of capex programmes entailing substantial expenditure, considering the consistent profits being made by the Company, your Directors have recommended a dividend of Rs.0.77 (i.e. 7.70%) per equity share for the financial year 2018-19.

7.0 MEMORANDUM OF UNDERSTANDING WITH GOVERNMENT

Your Company has been receiving 'MoU Excellent' rating for a number of years from Ministry of Heavy Industries and Public Enterprises. Despite Company achieving higher production and better energy efficiency, it could secure "Good" rating for the year 2017-18 which was mainly on account on certain financial targets which stood impacted owing to reasons beyond Company's control.

8.0 FUTURE PLAN

The road ahead is filled with challenges and opportunities. Your company is fully equipped to grab the opportunities and face any challenges that the market throws up. Your Company is targeting energy reduction to the tune of about 0.7 Gcal MT of Urea at Thal unit and 0.9 Gcal MT of Urea at Trombay unit in future which would contribute to overall growth. As a revenue generation strategy, Company is mulling growth through new product variants of NPK fertilizers both through manufacturing and trading.

The Company has been regularly undertaking expansion and modification projects to improve efficiencies, reduce emissions, reduce costs and augment capacities of its manufacturing plants. The same are detailed in the Annual report.

I will briefly mention some of the major projects that have been planned for the growth of the company and are under implementation at Trombay and Thal.

i. Energy saving schemes at Trombay and Thal:

- ✓ Variable Frequency drive (VFD) for HP Ammonia Feed pump at Thal
- ✓ Trombay Urea-V Plant Revamp (Casale Scheme)
- ✓ Trombay Ammonia V Plant Revamp (KBR Scheme)
- ✓ Gas Turbine at Trombay
- ✓ Ammonia V PAC & CO₂ compressor internal & Turbine replacement at Trombay

An investment of approximately Rs.717.23 Crore is being planned in these projects.

ii. Sewage Treatment Plant (STP) at Trombay

The need of the hour is sustainable water management, especially in the context of meeting the demands of an increasing population. Simply put, it means managing our finite water resources for present needs while keeping in mind the future requirement of next generation. Water has use in manufacturing, industry and agriculture. Freshwater is vital to the survival of many species on Earth but it is a limited resource. Having known this, your Company is setting up another new Sewage Treatment Plant (STP) adjacent to the existing STP with a capacity to treat 22.75 Million Litres per Day (MLD) of Municipal Sewage to produce about 15 MLD of treated water. The said project when it goes on-stream will generate further 15 MLD of treated water for usage in plant operation in RCF and BPCL thereby saving fresh water intake to that extent which will benefit about 30,000 families in the city of Mumbai. Being sustainable development project, this project from your Company will be of great value to residents of Mumbai and Society at large besides improving reliability of operations of RCF.



Estimated project capital cost is about Rs. 209 Crore and work is underway. The project is commissioned on 10th September 2019.

iii. **Joint Venture Projects:** Plan for expansions in big way are envisaged as under:

- ✓ **Coal Based Fertilizer Plant**, comprising of 2200 MTPD Ammonia plant and 3850 MTPD Urea plant, at Talcher, Odisha based on coal gasification technology is estimated to cost approx. Rs.13,277 ($\pm 10\%$) Crore. The project is of strategic importance for the country as it aims to make breakthrough for an alternative source of feedstock in the form of abundantly available coal from domestic sources. Success of this project is expected to be a game changer and shall pave a way forward to the production of chemicals and fertilizers from abundantly available coal resulting in less dependency on RLNG imports. It will also help in meeting much needed Urea production capacity for the eastern part of the Country. TFL has awarded major tenders i.e. Coal Gasification Package of Rs.5489 Crore and Ammonia Urea Package of Rs.2432 Crore to L-1 Bidder M/s Wuhuan on 11th September, 2019 & 19th September, 2019 respectively.
- ✓ **Revival of Brahmaputra Valley Fertilizer Corporation Limited (BVFCL) – Namrup Unit:**
DoF has nominated RCF & NFL along with Oil India Ltd., Govt. of Assam and BVFCL in joint venture for revival of Namrup unit of Brahmaputra Valley Fertilizer Corporation Limited. The proposed project entails setting up an Urea plant with an annual capacity of 1.27 million MT. The estimated Project Cost is Rs.7,600 Crore.
- ✓ **JV Project in Gabon-** Republic of Gabon plans to set up green-field Ammonia-Urea fertilizer complex at Mandji Island near port – Gentil of West coast of Gabon. The Urea plant capacity is envisaged to be 1.27 Million MT. Invitation to participate in Gabon Fertilizer Project comprising Ammonia-Urea fertilizer complex was received from DoF. Due diligence study is completed. There is likelihood of induction of another Indian JV Partner. The estimated Project Capital Cost is USD 1469.43 Million i.e. about Rs.10,286 Crore.
- ✓ **JV Project in Syria and Jordan-** In Syria and Jordan, investment opportunities for development of rock phosphate mines and production of phosphoric acid are being explored.

Your Company is also looking for opportunities for long term fertilizer off take from overseas to ensure sustained growth.

9.0 CPSE CONCLAVE

DPE has embarked on a collaborative exercise for re-defining the role and functioning of Central Public Sector Enterprises (CPSEs) in the context of challenges and expectations emerging from broad vision of 'New India-2022'. This exercise had culminated in the CPSE Conclave “New India - Vision 2022” held on 9th April, 2018 at Vigyan Bhavan, New Delhi which was addressed by Hon'ble Prime Minister.

In line with the directions given by Hon'ble Prime Minister at the conclave, DPE has prepared broad framework of action plan comprising of objectives, actionable points, metric and responsibility and have circulated the same amongst all CPSEs for developing Company specific actionable points and targets to be achieved by 2019 (short-term) and long-term (to be achieved by 2022).

In line with above, your Company has prepared the Company specific actionable points with targets and has been working on achieving the same. The actionable points are pertaining to contribution towards import substitution, minimizing the import bill of the Country, plan to improve ranking of your Company among Fortune India 500 Companies, promotion of R&D activities, Alignment of CSR activities with national priorities, handholding of MSEs, skill India movement, supporting start-ups, development of township as mini smart city, reduction in wasteful expenditure, increasing geo-strategic reach of a Company.

10.0 RESEARCH AND DEVELOPMENT

The tool to future sustainability is Research and Development (R&D). Your Company has taken up several Research and Development projects, some of which are for commercial scale design and engineering.

With this theme the nano-fertilizer research is progressing at a good pace at R&D department of your Company. Many trials were conducted with nano-fertilizers in the in-house field, farmers field and at Research Institutes. The effects of these experiments are supporting for commercialization of these fertilizers. With the initiatives of Government of India and also the norms of state Government for solid waste management, composting is being carried out by R&D unit. Biodegradable waste material is being converted to good quality compost.



11.0 HUMAN RESOURCES

Your Company has always maintained good industrial relations with all its employees. All issues are settled through regular discussions, meetings and dialogues. Your Company has a very strong corporate management team. The systems and procedures are constantly upgraded and improved imbibing the best of management techniques and Corporate Governance norms.

12.0 CSR ACTIVITIES

As part of its initiatives under “Corporate Social Responsibility”, the Company has undertaken several projects in the areas of rural development, health care and education, with the aim of serving the needy. During the year, your company has spent Rs.3.88 Crore on CSR activities which, inter alia, includes scholarship to meritorious students, supply of mid day meals , supply of drinking water to the villages, community medical facility- running of mobile medical van, rural sports, livelihood enhancement projects, mini science centres & medical equipment at aspiration district Osmanabad. Your Company has also made successful efforts to support the clean and green India campaign under its CSR activities.

13.0 SUSTAINABLE DEVELOPMENT

Your Company has taken up several Sustainable development activities such as Building of Check Dams, Prevention of soil erosion and watershed management, reduction of Green House Gas emissions, sustainable electricity distribution based on Solar Energy, etc.

14.0 HEALTH, SAFETY AND ENVIRONMENT

Your Company is committed to ensuring clean environment, beyond satisfying all stipulated requirements laid down by the statutory authorities, around its operating units.

Your Company has established ISO 14001 compliant Environment Management System (EMS) at its both manufacturing units. The Systems are constantly upgraded and regular Internal Audits and Management Reviews are carried out to ensure compliance and continuous improvement in the system.

The Effluent Treatment plants at Trombay and Thal have ensured that the environment in and around the Units are fully protected. Various schemes with state-of-the-art technologies and modernization schemes are implemented to reduce energy



consumption and wastages of the scarce natural resources. The waste streams from the plants are recycled/ reused for useful purpose.

Trombay and Thal units of the Company have taken up tree plantation drives in factory premises, in residential colony and surrounding areas and have planted numbers of trees in the year 2018-19.

15.0 CORPORATE GOVERNANCE

Your Company believes that sound corporate governance is fundamental to the enhancement of the value of the Company and its long term growth. Based on the core principles of fairness, transparency and accountability, your Company strives to maintain a high standard of governance through comprehensive and efficient framework of policies, procedures and systems to promote responsible corporate culture.

16.0 MEMBERS' ACTIVE INTEREST IN THE COMPANY

It is heartening to see the share owners taking very active interest in the Company by interacting with senior management regularly.

17.0 ACKNOWLEDGEMENT

I convey my heart felt gratitude and sincere thanks to all the stakeholders of the Company for their unstinted support; faith and trust reposed in the Company, which has helped us to perform in an excellent manner. I would like to thank all my colleagues, both past and present, on the Board for their unstinted support and guidance. I would also like to thank the Government of India particularly the Department of Fertilizers and FICC, Government of Maharashtra, MCGM and other State Governments, Statutory, Cost, Secretarial and Government Auditors, Banks, Financial Institutions, Railways, MoU Task Force, Local authorities, Factory Inspectorate and IBR, customers, suppliers, vendors and contractors for their continued support.

The Board wishes to place on record its deep appreciation of the valuable guidance and significant contributions made by Shri Harin Pathak and Shri G. M. Inamdar during their tenure on the Board.



Finally, I thank “Team RCF” for their dedication and sincere efforts in ensuring the smooth and excellent functioning of the Company, without whose continuous support and hard work none of this would have been possible.

Thank you Ladies and Gentlemen. **“Let us Grow Together”**.

I now move the annual accounts for adoption.

Sd/-
(U. V. Dhatrik)
Chairman & Managing Director

Date: 24th September, 2019
Place: Mumbai